How to Pass
如何通过
Book-keeping
簿记与会计学
and Accounts

Second Level
第二级

LCCI
EXAMINATIONS BOARD

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LCCIEB 简介

LCCIEB（即 London Chamber of Commerce and Industry Examinations Board，英国伦敦工商会考试局的英文缩写）是国际性的考试机构。它创办于 1890 年，目前已经在世界上 90 个国家和地区设立了考试中心，报读报考无年龄及学历限制，亦可自学自考。每年的 3 月、4 月、6 月、11 月在世界各地举行全球统一考试，由英国伦敦总部统一评卷、统一发证。LCCIEB 所颁发的证书在英联邦国家和东南亚国家受到普遍承认，特别是在英国、加拿大、澳大利亚、新西兰、新加坡和香港等地一直享有“求职通行证”的美誉。LCCIEB 证书还是海外大学接受的入学条件之一。

LCCIEB 在中国

LCCIEB 于 1995 年进入中国，成为首个由国家教育部（NEEA）承认及主办的国际性的职业资格考试，目前已在全国 18 个省及直辖市设有考试点，开设的考试有市场营销、西方会计、文秘和商务研究四大类。其中西方会计系列教材从低到高分为三个级别，包括 6 本书：簿记学一级（Book – keeping Level 1）、簿记与会计学二级（Book – keeping & Accounts Level 2）、会计学三级（Accounting Level 3）、管理会计学三级（Management Accounting Level 3）、成本会计二、三级（Cost Accounting Level 2 + 3）、商务统计二、三级（Business Statistics Level 2 + 3）。

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LCCIEB 与您的未来

随着中国即将加入 WTO，外资企业在中国的数量和规模越来越大，故此，能适应外企运作的及达到国际通用标准的 LCCIEB 专职人才将更受亲睐。LCCIEB 将为你开启通往更高职业的大门！

簿记与会计学二级（Book – keeping & Accounts Level 2）是 LCCIEB 会计类科目的第二级课程。本课程建立在一级课程（簿记学一级）的知识上，注重各种公司的类型以及如何编制它们的帐目，教会我们如何记录会计分录，完成帐目，如何分析会计信息。重点是各种公司的类型和如何准备、理解它们的帐目。你将学会：

1. 簿记的预付项目，这将使我们重温并发展这些基础知识。
2. 合伙企业 – 理解为什么需要制订合伙协议，了解合伙协议里包含的内容。了解合伙公司的会计要求，以及当有新的合伙人加入和合伙人退出时的会计处理，考虑合伙企业解散的会计处理。
3. 有限责任公司 – 经过学习，我们将会理解有限责任公司和股份有限责任公司的区别，不同类型的股票 – 普通股和优先股，资本 – 额定资本，实收资本及贷款。
4. 非盈利性机构 – 我们应该学会如何为这些机构处理帐务。学习累计基金和收入/费用帐户的实践，制作资产负债表和损益表。
5. 分店帐户 – 这部分内容需要我们理解分店和部门对帐户的需要，我们不单是为它们进行帐目处理、同时也对它们进行现金、股票和价格的控制。我们也将讨论国外分部的帐户，但此部分不作为考试内容。
6. 存货计价 – 学习成本和可变现净值的含义，考虑当由于失窃、火灾、水灾等因素而造成存货损失时的实物盘点，以及存货损失帐户的处理。
7. 最终帐户 – 这是非常重要的一项会计需求，所以我们需要通过进一步提问和实践来提高相关技巧。
8. 比率 – 会计活动就是对公司数据的理解，进而有能力通过比率分析法来对公司进行分析。这部分内容将使我们熟悉现时使用的一些主要比率：资产回报率、利润/销售额比率、销售额/资产比率、速动比率、流动比率、存货周转率。我们也需要知道，对一个公司进行评估时，更看重的是它未来潜在的盈利能力，而不是它过去的表现。所以我们需要留意它的数据趋向，进行预算计划。
9. 暂记帐户，备抵帐户，公积金，不完全记录 – 我们将学习相关的知识和经验，同时顾及制造业的需求。

Introduction

This is a study text, specifically written to help those preparing for the LCCIEB Second Level Book-keeping and Accounts examination paper.

Points of principle relating to the syllabus are fully explained and illustrated as examples in the text. You are recommended to work carefully through each example, and not merely to read through it.

At the end of each chapter, one or two past examination questions from LCCIEB Second Level papers are answered and key points explained.

At the end of the complete text, brief notes of guidance are given on study and examination techniques.

Use the book well. Only disciplined, orderly and thorough study leads to examination success.

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First Level revisited (1)

After carefully studying this chapter, you should be able to:

1 *confidently recall principles which you studied at First Level and which will continue to be important at Second Level;*

2 *answer questions of a Second Level standard which are based on aspects of the First Level syllabus.*

It is emphasised that this is a Second Level textbook. It will not deal fully with all of the topics included at First Level. If you are preparing for the Second Level examination without first having studied and passed the First Level examination, you would be well advised to purchase the First Level study text and work through it thoroughly before proceeding any further with this text.

However, the first item in the Second Level syllabus states, 'Advanced aspects of the First Level syllabus for Book-keeping'. Therefore, in the first two chapters of this study text, a number of First Level syllabus topics will be revised and extended for Second Level.

The book-keeping system

A basic book-keeping system comprises a ledger which contains *accounts*, and prime entry records which act as 'collectors' and 'summarisers' of financial data. This allows for detail to be outside the ledger so that summarised entries can be periodically entered into ledger accounts. The prime entry records provide the *auditable authority* for the summarised ledger entries. The *journal proper* provides the authority for ledger entries not covered by other prime entries. Unusually, the cash books have developed into both prime entries and ledger records of cash payments and receipts.

The prime entry records, other than the journal proper and the cash books, have historically been known as day books, covering sales, purchases, sales returns and purchases returns. More commonly, they are simply called sales journal, purchases journal and so on.

When final accounts are prepared, the trading and profit and loss accounts are indeed debit and credit accounts in their own right, conforming to normal double entry principles.

The *trial balance*, which lists account balances prior to making adjustments and preparing final accounts, is, of course, not part of the system, but a check on the apparent accuracy of the recording system. You are reminded that there may be errors which are not revealed by a balanced trial balance. The term 'final accounts' is generally understood to mean trading and profit and loss accounts and a balance sheet. However, you are also reminded that a balance sheet is *not* an account but a presentation of the balances remaining in the ledger at a particular moment in time.

The influence of software accounting systems

Chapter 17 at the end of this study manual will be used to illustrate the impact of the computer, and PCs in particular, on accounting systems. A small firm may still use hand-written accounts with visible and traditional prime entry records, cash books and ledger. Increasingly, however, even for small firms, transactions are recorded in accordance with a software programme and prime entry summaries, trial balance, final accounts, customer debt analysis and so forth are database printouts at the end of each accounting period. What must be emphasised is that although it may be more difficult to recognise visually, *computer based accounting systems conform to the long established book-keeping principles and to debit and credit concepts.* It is dangerous for a business to rely on a purchased software accounting package unless the user has an understanding of the basics of book-keeping and accounts. *It is the aim of this text to provide LCCIEB students with this understanding.* This aim explains the approach taken in this study text.

The structure of an account

A ledger account has a debit side, a credit side, and provision on each side for the entry of date, narration, account reference and amount. A balance is struck on an account periodically, so that at any moment in time an account may be in balance, or might have a debit balance or a credit balance. You should recall that certain accounts are associated with debit balances, eg:

1 any fixed asset account, eg buildings, motor vehicles, etc

2 any current asset account, eg stock, debtors, prepaid expenses, etc

3 bank balance if in favour of the business

4 expenses incurred, eg rent

Other accounts are associated with credit balances, eg:

1 any liability account, eg loan, bank overdraft, creditor, etc

2 capital account

3 any income account, eg sales, interest received, etc

In some examination questions the dates of entry may be particularly important, eg when dealing with accruals and prepayments. This will be emphasised in the text where relevant. Throughout this study text, ledger accounts will largely be presented in the *conventional T-account* format. This is because it is considered that this presentation provides the best basis for an understanding of book-keeping and accounts. Nevertheless, alternative presentations will be used where appropriate. For example, when dealing with bank reconciliations, the bank statement – as a copy of the trader's current account in the bank's ledger – will be presented in the format in which such statements are in fact received from the bank.

Balance sheet presentation

The vertical presentation of a balance sheet is *preferred without reservation*. The old-fashioned two-sided balance sheet does not naturally reveal information such as working capital, which the vertical format easily does. In addition, the less confident student confuses the two-sided balance sheet with a T-account. The student therefore begins to think of the left-hand side of the balance sheet as the debit side, and then begins to think of balances being 'written off' to the balance sheet. *All this is wrong of course*. With the two-sided balance sheet the student also has to decide which side to put the assets: on the right-hand side – traditional in the United Kingdom until comparatively recently – or on the left-hand side – traditional in the United States of America!

All this potential for error is avoided by preparing the balance sheet in vertical format. Candidates in the LCCIEB examinations are recommended to *prepare vertical balance sheets*, whether for sole traders, partnerships, non-trading organisations (clubs and societies) or limited companies.

The following balance sheet format is recommended, eg for a sole trader, Paul Cross, at 31 December Year 7. *The figures used are all made up for illustration.*

Paul Cross – Balance Sheet at 31 December Year 7

	£	£	£
Fixed assets	*Cost*	*Accumulated depreciation*	*Net book value*
Premises	45,000	1,200	43,800
Fixtures and fittings	19,500	3,100	16,400
Motor vehicles	22,000	4,400	17,600
	86,500	8,700	77,800

	£	£
Current Assets		
Stocks	22,680	
Debtors	17,458	
Bank	1,057	
	41,195	
Current Liabilities		
Creditors	19,568	
Working capital		21,627
		99,427
Loan from uncle		
(repayable in Year 12)		20,000
		79,427
Capital at Jan 1 Year 7		72,548
Profit for the year	10,459	
Less drawings	3,580	6,879
		79,427

As you will see in a later chapter, the terms used may change slightly, eg the term 'current liabilities' will be replaced with 'creditors: amounts falling due within one year'. However, the basic structure of every balance sheet will conform to this example.

Prime entry records for sales and purchases

Conventionally, cash sales are entered in the cash book, which provides a prime entry record. For this reason it has been the credit sales that have been entered in the day book or sales journal to provide the prime entry record. However, in practice, many firms would require an invoice to be raised to cover even cash sales. Therefore, in order to maintain the invoice number sequence, they would enter all sales into the sales journal or day book, whether made for cash or on a credit basis.

Any special discounts given to customers for special relationships, large quantity purchases and so forth are deducted on the invoice, so that the net amount due from the customer is recorded in the sales journal. Any discount which may or may not be taken, eg a cash discount for the prompt payment of account, is not deducted at this stage.

The listing of sales in the sales journal allows for the summary sales for an accounting period, eg one month, to be posted to the sales account as a single figure. The accounts of individual customers, on the other hand, must be updated promptly because for credit control it is vital to know the balance outstanding on any customer's account at any time.

You must not treat prime entry records as accounts. They are *not* accounts, and therefore do not have a debit and credit structure.

EXAMPLE 1

Neil Roberts is a wholesaler of electrical equipment. He sells on credit to a limited number of customers. The discounts he offers are 'special terms' discounts and a cash discount of 1% for payment within 20 days of the invoice date.

Special discount terms depend on the value of orders received from customers in the previous financial year. Special discount categories are:

A	Nil
B	5%
C	10%

During February Year 7, he made the following sales:

Customer	*Invoice date*	*Invoice number*	*Gross value* £	*Special discount*
Carr & Co	3 February	13657	2,450	C
	18 February	13662	900	C
N Blake	6 February	13659	1,600	A
H Bonny	17 February	13660	1,540	B
	24 February	13665	1,200	B
P Rivers	22 February	13663	850	A
	23 February	13664	490	A
F Singh	27 February	13666	500	A
MP Ltd	5 February	13658	1,380	B

Invoice number 13661 was spoilt.

Required
Prepare the sales journal for the month of February Year 7, and show the posting to the sales account in the nominal ledger.

Solution

Sales Journal: February Year 7

Invoice no	*Invoice date*	*Customer*	*Amount* £
13657	3 February	Carr & Co	2,205
13658	5 February	MP Ltd	1,311
13659	6 February	N Blake	1,600
13660	17 February	H Bonny	1,463
13661	Invoice spoilt		
13662	18 February	Carr & Co	810
13663	22 February	P Rivers	850
13664	23 February	P Rivers	490
13665	24 February	H Bonny	1,140
13666	27 February	F Singh	500
			10,369

Sales account

			£
	Feb 28 Year 7	Sundries	10,369

Notes to the solution

1 The 'special discount' is a kind of trade discount.

2 Even if there had been ninety invoices rather than the nine, there would still only have been one entry in the sales account for the month. This emphasises the 'collecting' and 'summarising' purpose of prime entry records.

3 The individual customer accounts should have been immediately debited with the amounts due. For example, Carr & Co's account would have been debited with £2,205 on 3 February and with £810 later in the month.

4 Note that the amount entered in the prime entry record is *net of the special discount* applicable to each customer. For examination purposes it would be acceptable to list the gross amount and show the discount deducted. In practice the gross and discount might appear on the invoice but need not appear in the prime entry record. *On no account should any deduction be made for the cash discount.* At the time of the sale it is not known which customers will take advantage of this discount.

5 In the prime entry record all invoices are listed in number order. The spoilt invoice is also listed. For audit purposes every invoice must be accounted for.

The journal proper

This is sometimes called the *main journal*. It acts as an instruction and an authority to make entries in the ledger. Although the format may not be traditional, journal vouchers still have importance in computer-based accounting systems. The examiner may ask for an answer to be presented in journal entry form. The format to be adopted is as follows:

		Dr	*Cr*
		£	£
Sept 30 Year 6	Bad debts account	280	
	P Tovey's account		280
	Debt written off as irrecoverable		

This auditable journal voucher (which would have its own reference number) shows an entry which should now be entered into the system. The bad debts account should be debited and the personal account of P Tovey should be credited. Since it is clear that these are entries to be made in accounts in the ledger, the journal entry would be equally acceptable as:

		£	£
Sept 30 Year 6	Bad debts	280	
	P Tovey		280
	Debt written off as irrecoverable		

Cash book adjustments and reconciliations

Of particular importance is the cash at bank record. A trader's cash book balance at any time indicates the level of cash availability or the extent to which he is overdrawn. Both are important. A debit balance on the cash at bank account should not be excessive as it is unlikely to be earning any interest. Any balance temporarily or permanently greater than the balance required to meet obligations, should be transferred to an interest earning account. On the other hand, if a trader has an agreed overdraft limit on his current account he must be aware when his overdraft limit is being approached. This is because to draw cheques which would result in the overdraft limit being exceeded would be both expensive, and possibly embarrassing. Expensive, because banks make heavy charges for unauthorised overdrafts, and embarrassing, because the bank may not honour cheques drawn on the account. For these reasons, a cash at bank account should be *promptly updated* so that the current balance is known.

Amounts credited to a trader's current account at the bank come from:

1 Cash and cheques paid into the bank by the trader.

2 Transfers into the current account from another account at the bank, eg a deposit account.

3 Interest added to the account by the bank (if it is an interest-bearing current account).

4 Direct credits made to the trader's account by a debtor, eg in UK by the Bankers' Automated Clearing System (BACS).

It is important to note that the trader may not know about 3 or 4 either until he sees them on bank statements, or in the case of 4 unless the debtor informs him of the payment.

Amounts debited to a trader's current account at the bank come from:

1 Cheques drawn by the trader, presented for payment by his creditors.

2 Direct payments made by the bank on the trader's behalf. These may be standing orders authorised by the trader, or BACS payments.

3 Direct debits, where the trader has authorised his creditors to take amounts due from his account.

4 Charges applied by the bank. These will be bank charges for operating the account, or interest charged when the account is overdrawn.

It is important to note that 3 and 4 may not be known to the trader until they appear on bank statements. Item 1 will go into the trader's cash at bank account when the cheque is drawn even though it may be days, weeks or longer before his creditor presents the cheque for payment.

A *bank reconciliation*, as a check on the cash at bank account, is needed to deal with these time differences and differences of awareness. It may also be needed for detecting mistakes, whether made by the trader or his bank.

EXAMPLE 2

The cash book of Paula Kennet showed a debit balance of £5,673 on the cash at bank account at 31 December Year 9. When she received her bank statements early in January Year 10, the balance shown on the statement at 31 December Year 9 disagreed with this figure.

She discovered that:

1 Cheques that she had drawn, but which had not been presented for payment by creditors by 31 December Year 9, amounted to £186.

2 A cheque drawn for rent, presented for payment in December, had been entered in the cash book as £49 instead of the correct figure of £94.

3 A standing order for insurance, for £132, paid by the bank in November, had not been entered in the cash book. Another standing order for a subscription, £50, had been entered in the cash book in October. However, the bank had paid this standing order twice. Paula Kennet has now (in January Year 10) informed her bank of this error.

4 Employees' wages are paid by BACS. However, the wages paid by the bank on 22 December Year 9, £2,212, had not been entered in the cash book.

5 The bank statement showed that Paula's current account had been debited with bank charges for operating the account, £236, and with interest £98.

6 An amount of £4,875, comprising cash and cheques banked on 30 December Year 9, did not appear on the bank statement until 2 January Year 10.

7 Paula Kennet received £184 from a debtor directly into her bank account. This was received in November but she was unaware of it until she noted it on the bank statement.

Required

(a) Prepare an adjusted cash at bank account for Paula Kennet at 31 December Year 9.

(b) Prepare a statement, commencing with the adjusted balance, and ending with the balance you would expect to see on the bank statement at 31 December Year 9.

(c) State the balance of cash at bank you would show on the balance sheet of Paula Kennet at 31 December Year 9.

Solution

(a)

Cash at bank

	£		£
Balance b/d	5,673	Rent	45
Debtor	184	Insurance	132
		Wages	2,212
		Bank charges	236
		Bank interest	98
		Balance c/d	3,134
	5,857		5,857
Balance b/d	3,134		

(b)

Statement of reconciliation: 31 December Year 9

	£
Adjusted cash book balance	3,134
Deposit not recorded	4,875
	(1,741)
Cheques not presented	186
	(1,555)
Standing order paid in error	50
	(1,605)

The bank statement would show, on 31 December Year 9, an overdrawn account with a balance of £1,605.

(c) The adjusted cash book balance, £3,134, would appear as a current asset on the balance sheet of Paula Kennet at 31 December Year 9.

Notes to the solution

1 The cash at bank account has been presented in traditional T-account form. In practice, and particularly with the influence of software systems, other presentations are possible. For example, one format would be similar to that *used on bank statements* with a running balance, eg:

	£	£	£
Balance b/d			5,673
Debtor	184		5,857
Rent		45	5,812
Insurance		132	5,680
Wages		2,212	3,468
Bank charges		236	3,232
Interest		98	3,134

Provision could also be made for cash book analysis, in the same way as for a petty cash book.

2 The cash book adjustment deals with items that would or should have been in the cash book had Paula Kennet been aware of them. For example, Paula would have known that the bank would be making charges and applying interest. But she would only know how much they were from the statement.

The standing order of £132, on the other hand, should already have been in the cash book. Both the amount and timing of the standing order payment would have been authorised by Paula Kennet. Its omission from the cash book was therefore a mistake.

3 The bank now says Paula is overdrawn by £1,605. Note what will then happen. The bank will credit the deposit made on 30 December, £4,875. This gives a credit balance of £3,270.

The creditor will present his cheque for payment. This will reduce the balance to £3,084. Finally, the bank must correct its own error. £50 too much was taken from the account on a standing order and must be re-credited. The balance becomes £3,134 which agrees with the adjusted cash book balance.

4 Do not get confused by references to debit and credit. Remember that if Paula receives cheques and cash from customers, she will debit the cash at bank account and credit her customers' personal accounts. When the cash and cheques are paid into the bank, the bank will debit its own bank account and credit the current account of Paula Kennet at the bank.

The extended trial balance

You will recall that the purpose of a trial balance is to establish *prima facie evidence* of the accuracy of the book-keeping process. Thus:

- if the trial balance balances, it suggests that things *may* be correct;
- if the trial balance doesn't balance, things are *definitely not* correct.

Once the trial balance has balanced, the preparation of final accounts can commence. Of course, in the real world, final accounts preparation might commence whilst attempting to find the errors which have caused the trial balance not to balance! However, at some point the error(s) must be located.

In an examination, when asked to prepare final accounts, the usual advice is to tick each item in the trial balance as it is used, but to double tick the adjustments under the trial balance so that double entry principles are maintained. For example, a trial balance might include an accumulated provision for depreciation (credit balance of course) £15,800. Under the trial balance it might say 'Provide for depreciation for the year, £1,400'.

The £1,400 must be debited to the profit and loss account as the depreciation expense for the year. Thus it is ticked once. The £15,800 is already in the trial balance. This is picked up (and therefore ticked) and added to the £1,400 adjustment which receives its second tick. This gives an accumulated provision for depreciation at the end of the year amounting to £17,200, and this is deducted from the cost of the asset on the balance sheet to give the net book value.

What actually happens of course, is that a depreciation expense account is opened and debited with £1,400. To complete the double entry, the accumulated provision for depreciation account, which according to the trial balance already has a credit balance of £15,800, is also credited with the £1,400, so increasing the credit balance to £17,200.

An extended trial balance shows how such adjustments are made to the original balanced trial balance. This produces an adjusted trial balance, with the balances allocated between the income statement (profit and loss account) and the balance sheet.

You are advised to study carefully the example given at the end of this chapter.

Accruals and prepayments

The 'matching principle' means that the expenses set against sales revenue must be appropriate to the accounting period for which the sales revenue is reported. For example, when a profit and loss account is prepared for the year ended 31 March Year 8, the gross profit from the sales dispatched and invoiced in that year must be reduced by the expenses properly chargeable to that year. The expenses *paid in cash* are not an appropriate charge against the gross profit. *They must be adjusted by accruals and prepayments.*

EXAMPLE 3

J Carson is a sole trader whose financial year ends on 31 March. During the year ended 31 March Year 4, his first year of trading, he paid insurance premiums amounting to £868. At 31 March Year 4, insurance premiums were prepaid by £136.

Required

Prepare the insurance account in the ledger of J Carson for the year ended 31 March Year 4.

Solution

Insurance

			£				£
Mar	31	Year 4 Balance b/d	868	Mar	31	Year 4 Balance c/d	136
				Mar	31	Year 4 Profit and loss	732
			868				868
Apr	1	Year 4 Balance b/d	136				

Notes to the solution

1 The £868 is a balance at 31 March Year 4 because payments would have been made by cash earlier in the financial year, and the account would have been balanced for trial balance purposes.

2 A prepayment is always a debit balance on the expense account. In book-keeping terms the debit and credit are on the same account. The pre-payment is inserted as a credit and brought down on the debit side of the account. The £136 debit balance then appears as a current asset on the balance sheet at 31 March Year 4.

3 An alternative (and acceptable) approach would be to open a separate account for prepaid insurance. The solution would then be:

Insurance

			£				£
Mar	31	Year 4 Balance b/d	868	Mar	31	Year 4 Prepaid insurance	136
				Mar	31	Year 4 Profit and loss	732
			868				868

Prepaid insurance

			£
Mar	31	Year 4 Insurance account	136

In this illustration, the amount of insurance prepaid was given as £136. At Second Level, however, the examiner may *expect a candidate to calculate the prepayment or accrual* before making the necessary adjustments in the ledger accounts.

EXAMPLE 4

Roseanne Croxford is a sole trader whose financial year ends on 30 September. On 1 October Year 7, prepaid rent on her business premises amounted to £180. Under the terms of her agreement with her landlord, the monthly rent was increased from £180 to £195 with effect from 1 January Year 8. Roseanne's cash book showed that cheques drawn in favour of her landlord during the year ended 30 September Year 8, totalled £1,725.

Required

Prepare the rent account in the ledger of Roseanne Croxford, for the year ended 30 September Year 8.

Solution

Rent

			£				£
Oct	1	Year 7 Balance b/d	180	Sept	30	Year 8 Profit and loss	2,295
Sept	30	Year 8 Bank	1,725				
Sept	30	Year 8 Balance c/d	390				
			2,295				2,295
				Oct	1	Year 8 Balance b/d	390